Chapter-5

Case-1

Acquisition of RINSIs Heart Institute by Rustid Healthcare
1. Introduction to Organization

2. Organizational Culture

3. Organizational Culture at Various Departments

4. Post Mergers & Acquisition Cultural Integration
Introduction

Rustid Healthcare

Rustid Healthcare is a pan asia provider of healthcare services. It started its journey in 2001 with flagship Mohali hospital. The company has an asset base in 11 countries and the company has primary care, day care speciality and hospitals. Among its operations in 11 countries like UAE, Srilanka, Singapore and Mauritius. It has 65 healthcare facilities including project under development, more then 10000 potential beds, around 240 diognistic centres and approx 17000 workforce as team strength.

The vision of the company is “To create world class integrated healthcare delivery systems in India, entailing the finest medical skillscombined with compassionate patient care”.

The company raised Rs:497 crore through IPO of Rs:108 per share. This fund helped in acquisition of RINSI Heart Institute and other green field projects.

Rustid made successful attempts in standardization of its services and products. For this one year exercise was done.

The Rustid present operates in Australia, Canada, Dubai, Hongkong, India, Mauritius, Srilanka, New Zealand, Singapore, Vietnam and Nepal. It has around 12000 beds in 75 hospitals. In addition to that it has 600 primary care centre, 191 day care speciality centres. The company has 230 centres of diagnostics. The number of total human resources is 23000 in this company.

The company Jaipur hospital has been privileged to get JCI (Joint Commission International, which is the oldest and largest accreditation body in the healthcare in the world) certification, its Noida hospital got NABH accreditation.

The company has been using Greenfield strategies as one of its strategies to diversify. It has acquired Rustid in the year 2005. The Rustid was considered to be the mecca in the field of cardiac ailment. The acquisition of this company gave competitive advantage to the Rustid

List of Hospitals Acquired by Company Rustid Healthcare
Rinsi Heart Hospital & Research Institute

Rinsi was established in the year 1989 by Nandas in OKHLA, Delhi. It was considered to be mecca for cardiac ailment as it delivered results and provided better solutions. The team at Rustid was really astounding and able.

Acquisition is indeed matter of top management in the perspective of Rustid Healthcare. According to HR Head of Rustid RINSI Heart Institute,” Integration strategy is a being decided at the top level. They decide what are various cultural barriers and what steps are to be taken to cross them successfully”

Rustid acquired 90 percent share in RINSI Heart Institute and Research Centre in the year 2005.

Investors Relations

Rustid strongly look forward to develop an investor relations and offers better ambience for shareholders. It aims at engaging shareholders in consistent dialogue and communication about strategies of company on both financial and operational. It offers a platform to minimize the concerns of shareholders and also apprise them with recent development with an easy channel of communication.

Amongst various channel of communication, Rustid uses telephonic interactions periodically, national and international domestic forums, face to face interactions and also through conference calls. The focus is on making the communication updated and allays the concerns of investors at its best.

India

In India the company had 31 hospitals across various cities in India.
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<th>City</th>
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Profit and Loss Account of Rustid

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<th>2006</th>
<th>2007</th>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>310.02</td>
<td>547.10</td>
<td>525.13</td>
<td>632.11</td>
<td>945.18</td>
<td>1497.56</td>
<td>2984.04</td>
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<tr>
<td><strong>Total Income</strong></td>
<td>286.87</td>
<td>509.81</td>
<td>573.54</td>
<td>671.04</td>
<td>1002.72</td>
<td>1933.29</td>
<td>3167.68</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>257.45</td>
<td>446.01</td>
<td>505.55</td>
<td>542.93</td>
<td>812.81</td>
<td>1433.83</td>
<td>2580.71</td>
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<tr>
<td><strong>Net Profit</strong></td>
<td>-52.81</td>
<td>-96.67</td>
<td>-59.98</td>
<td>24.06</td>
<td>70.01</td>
<td>136.30</td>
<td>66.91</td>
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Initially after acquisition of Rustid by Rustid, the business was affected and the overall revenue moved southward. But with integration efforts soon the synergy was achieved. The Rustid
improved its profit and loss in next few years. In year 2012 the profit of company A was 66.91 crore.

**Organizational Culture**

Rinsi was a doctor run hospital where relationship was important where in case of Rustid, this is a corporate run hospital where processes are important. Basic practices were different. Approaches to the roles were different. For example towards patients or attendents. These two brands were different. Fortis is a multi speciality hospital whereas Escort is a cardiac hospital.

Lab Tech Head says “*Qualitywise Rinsi was good. There had been new equipments. We had auto and semi auto instruments. I can not say something negative, there is nothing negative as such. We were doing well in that hospital as well. When Rustid took charge. There is huge difference in culture of two. Earlier we used to meet Dr Nitin once in a month. The communication with top boss was very less. A set hierarchy was to be followed.*

There were were strong family bonding in Rinsi, employees were loyal and working since long. There was attachment and sentiments as a family. Whereas in Rustid is more of a formal and corporate organization. The culture is flexible, open and rationale. It offers an opportunity to perform and grow.
Human Resources

Human Resources has indeed no role in decision on mergers and acquisitions as per a senior management personnel, but the role of HR becomes crucial when it comes to cultural issues especially handling employees dissatisfaction, foreignness, absenteeism and apprehensions.

“HR in two companies were completely different, one Rustid, it was a traditional HR method, which was based on a top management leader premonitions, but in case of Rustid, there was modernized HR. Talent acquisition was seen as one of the key HR strategies.

Rustid was more specific to bring about a performance culture in human resources, whereas, Rustid was more traditional and based on earlier system and hierarchies. The promotions were based on number of years spent in the Rustidnd also based on healthy relation with head of institution. The management was committed to integrate the Rustid culture, but also was liberal enough to adopt the culture of Rustid if few attributes were advantageous.

Initially HR team at Rustid was put under guidance of a new team of HR. The role of new team was to facilitate the communication, organize the workshop and seminars. According HR Head

“So when we acquired major hospitals in the north and south we required change. They had a very very different culture and they had different atmosphere also. So we did allow certain amount of freedom. Till now they are enjoying a different culture. But certain level of integration is necessary. Now our leave policies are very different. Then we had employees who started questioning, there has to be amalgamation and there has to be clear definition what has to be integrated and is not to be integrated. We adopted that. Best practices have to be adopted”.

Further the main concerns of the employees in acquired company was their job security and their freedom. But Rustid maintained a professional approach understanding the fact that employees working for last several years in Rustid are the talent pool. Rustid therefore adopted strategic move to talent acquisitions and provided a career development plan under which those who were experienced were given opportunity to grow in hierarchy. According a vertical Head

“Initially we were apprehensive of our future in the company, we decided to wait and watch till new vertical heads come, but management of Rustid addressed us and said that we are the
valued human resources. They intimated their decision that they are not going to fire anyone. Rather an opportunity where we can grow would be provided. It was by and large noticed that there were few key human resources who left the company, after this only those who were already working as subordinate or junior were groomed to take challenges as vertical heads. As time passes today you can see those are the performing and delivering human resources. Therefore the company policy to give us an opportunity to learn and grow helped a lot.”

In canteen case staff were very happy. However there was no resistance from Doctors. Doctors and managers had same canteen. For Doctors we made especially small kind of canteen outside OT. Separate canteens for doctors and OT staff because they don’t get time to come out of OT. Instead they can’t afford to travel long for refreshments.

HR Head says, We faced resistance in performance management system. You imagine a situation where I have come to work and I know that after three years I would be promoted to next grade or level and so the whole concept was the more senior you get you up the ladder there was no such thing as you know the output measurement, type of output you give, the outcomes so we brought in a culture of performance management even a junior who is performing can go up the senior. So we said that your bonus, your appraisal amount and your increment will be linked to year ending, we brought in system of one to three four five where we had huge resistance from top to bottom.

Situation is basically very clear, some of the seniors in RINSI told that we have been working in this organization for last 18 years and this is a world reknown institute, so why are we being assessed for performance now, if we have taken this institute from scratch so obviously this is hard work of everyone. How can you even think of having a performance appraisal system for us. We have never been at least and we are doing our jobs. This was version of one of the senior people.

For nurses and the technicians and the lower staff, the issue was I mean they felt that there was security which is gone suddenly. They felt now everything will be, they felt there may be biases which is going to come in, their bosses are going to appraise them, if they are not in good terms
with their bosses what will happen. How can you depend on boss to give an appraisal, who will be means if there is no better relation with boss that means we are not performing.

**IT**

IT system in Rustid was well built and needed an integration at the level of Rustid. Since no change in the team of Rustid was done, rather proper training to IT personnel of team A was imparted through workshops, seminars, coachings and interactions. The various attributes available in Rustid were introduced in the program of Rustid. This needed lot of data collection and analysis. Hence the task was hectic and exhaustive. Proper care was taken towards saving the loss data.

IT in Rustid was developed and had various attributes which were able to keep track of patients. The system was well built and employees working this IT system were comfortable. This was so because they were working on that for last several years. Whenever required IT team upgraded the program. Though initially after such upgradations employees used to had problems working on. But with proper training in both the forms formal and informal, the usage was seen result oriented. In fact at many occasions the system was useful and IT helped resolving the deadlock. Therefore experts were of the view that Rustid has strong IT system which supports their modules of operations.

Rustid firmly believed that it needs updated and upgraded IT system to compete in the market. Therefore it was particular about IT support. The manpower in IT support was also committed and juniors were found hard working who later drove the entire integration in IT culture of the company.

According to IT head of the Rustid “Employees working on IT are new mostly but some of them are working since last eight to ten years. They are the one who have seen both the ambience at earlier Rustidnd also now when it has been acquired by a new player. They are more happy and satisfied now because they find appropriate appraisal and job enrichments. The career development plan in Rustid is better then earlier one”.

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In IT team though there were less interactions among seniors and juniors. Juniors used to work as per task being given to them from their senior. In various post acquisitions cultural integrations interventions, seniors oftenly participated. Thus communication was from the top to middle not upto bottom usually. Whenever required junior employees were also being allowed to take part in the strategic meetings or in raising the questions if there is any confusions.

Rustid strategically groomed the key members of IT team and prepared them for leadership role. Hence the talent acquisition strategies at Rustid seems well planned and developed. IT people were allowed to work under a senior of Rustid for few months and once the desired changes were educated, they were allowed to work independently to implement the coveted changes.

Employees were since not open to interact with top management, since Rustid had groomed such culture. This was a major stumbling block in achieving synergies. Some of the employees from key team left also. One of the seniors from the IT team also left the company. In fact there is one very positive aspect with Rustid that it provided the existing employyes of Rustid to grow and get promoted. As happens in the cases of mergers and acquisitions, new employees are being posted on key positions of acquired company. Here the scene was different.

**Acquisitions Strategy**

Rustid was a large healthcare Rustidnd was looking for strategic players to grow massively in the market. In India it was observed that cardiac problems are higher in number. This gave them clue to search for future partners in cardiac specialized hospital business. Rustid was one such which was called mecca for cardiac ailment in India. With large number of doctors as its core competency the hospital recorded its success through solving several cases within the country or across the country.

Initially the company interacted informally and later the due diligence took place. After the due diligence, the acquisition process was started. The acquisition process was however resisted by a celebrity cardiac surgeon in India. But as an integral part of acquisitions strategies, Rustid acquired A. Top management at Rustid had a very clear vision that they would not disturb the
existing system. They were of the view that they would adopt the best practices of Rustid and they would integrate their best practices into Rustid. The Rustid was expanding its market share through green field strategies. It firmly believed that acquisition is one of the best available strategies to grow in the market.

**Integration Strategies**

Amongst the integration strategies, Rustid decided to be handles at both top and middle level. Chief People Officer had a major role. A new HR Head was deputed to drive the integration process smoothly. The Director of Hospital A was a new face and he was the centrepoint for several integration activities.

**Finance & Accounting**

Finance and Accounting was well developed in Rustid, but since Rustid wanted to integrate it with its other group of hospitals, some changes were made. The system was made more transparent. Now inner departmental access was available. In fact this was earlier also but now it was more developed and professional. A new billing system was introduced where various usage of consumables were automatically added to the billing system of patients. This helped in keeping billing updated in the hospital.

In view of one of the seniors in Accounts, “There were reactions among patients, I faced the wrath of patients in early days of acquisitions, patients started asking me that what has happened and where some of the doctors have gone. They started asking what will happen with their patents. The situation was really very aggressive and could be handled somehow. I had to leave the counter for sometime. The patients were personally made understood that we have still very qualified doctors and many more are coming. If you wish to move to other hospital you are free. But we would like to serve you and see you healthy. But it was very difficult to make them understand completely. There had been hot discussions and a confounding situation was witnessed”

Patients were worried about the availability of few senior and well known doctors. They were also apprehensive of maintaining same standards after acquisitions. Therefore number of patients dropped initially. According to the same Accounts Head
“This can not be staright way assumed that Rustid was not doing well. Rather you can say that it was performing well with available resources. The acquisition by Rustid also involved a large number of employees across the board. This was a costly affair where you need to earn at least that much to maintain the business”

The billing was now more transparent and everyday bills were updated on real time. This helped accounting and also in identifying the number of consumables being used on daily basis. The payment methods were already updated but now few other mode of payments were also introduced. This altogether was supportive in increasing the number of procedures and towards enhancing the total business.

In view of Senior Manager, Accounts & Billing “ billing section in any hospital business plays a key role. It needs be updated and correct. Many times the person handling the bills should have idea about the consumables and procedures. There are situations when attendants ask about how and why this consumables have been used. Thus for such situations the person at billing must be either able to refer the attendants to concerned person who can clarify the things or he himself should be educated to respond to such queries. In our case, we had regular interactions with other departments hence we gradually understood the various procedures and also the list of main consumables used. In fact it can be said that there was no formal training, but we could learn many things through informal interactions and discussions. But after acquisitions, the modus operandi of Rustid was more formal and professional. They did not want to leave a single stone unturned in terms of training and upgrading the skills of employees. This helped us also to participate in several formal discussions and interactions resulting in making us aware about various intricate procedures and consumables being used”

In finance and accounts also by and large same team were allowed to continue and they were properly appraised in next few years.

In words of Accounts Head “ It’s not always important that professional system may bring employee satisfaction or good results. Even earlier system was also supportive and result oriented. The only difference is that those were more informal. Family kind of feelings were there and people were ready to cooperate you whenever required. These things are really
missing now. Since there are lot of work pressure and less interactions among employees hence we do not get any opportunity to discuss about our personal issues etc. The bonding is therefore missing now.

Finance and Accounting in Rustid was more transparent and system friendly. There was emphasis on bringing transparency. This altogether gave a higher degree to Rustid. Staff working in accounts were with mixed feelings. Some of them were happy with new system as those were appraising them professionally and their hard work was getting recognized. The other reason several employees in the department liked Rustid professional approach because there were new hospitals coming in and they were providing the best compensation to trained and experienced staff. Initially with Rustid, of course intimacy and family bond played a significant role in retaining the employees and overall performance, but now time had come where they were comparing it with other professional hospitals. Therefore, the new approach of Rustid was like by many. According to one of the Senior person in Accounting,

“With this acquisition, we lost our intimacy, because competition evolved and you need to work hard to get rewarded. This resulted in involving us on our tasks all the time. We still miss that family bond which we used to had with Dr Robin leadership. If any employee grievances or problems reach to Dr Robin, that was always addressed and resolved to the best of available options and opportunities. So both the hospitals had its own way of working. Earlier there was sentiment attached which is now completely missing. People now just do their duty.”

Employees were exposed to new billing and accounting system. For this exposure trainings were organized in form of classes, one to one discussions, workshops etc. It took around six months time to get fully adjusted with new accounting system.

Patient Relations

Patient relation was different in two companies. In Rustid the focus was on treatment whereas in Rustid, the emphasis was on patient retention among Rustid. Patient retention here means, to get
them back whenever they need a multispeciality hospital. Since the hospital after acquisition was not only cardiac hospital rather it also performed in many other domains. The patient care right from their entry into campus therefore was under ambit of relationship management. Rustid was in fact very particular about this and tried its best to follow that.

Patients were in initial phase of acquisition going away and the hospital lost its business also. But Rustid worked strategically and contacted each and every patient through various means of communication such as e-mails, letters, phone and messages. This altogether was helpful in retaining the patients in hospital. The new management was also particular about the transparency and there were proper address to the attendents of patients. On large it can be said that patients satisfaction was the key ingredients of cultural integrations.

There were occasions when patients tried to get in touch with the Director or a senior most doctor of the hospital. Earlier this was little difficult but now it was easy because e-mails and other contact details were available for patients. It was also ensured that public relation department responds properly to the queries and inquiries. Thus communication was at driver seat and through communication, a healthy relationship building could be made. The entire hospital staff were trained to respond properly to patients and make them understood that we are here to serve the patients first. Through serving them only we can continue our competency. Therefore they should be rightly and instantly responded. It was communicated through various meetings and other mode of communication that any negative message through a patient may impact the other patient relation resulting into impacting our business negatively.

**According to Admin Head**

“One patient was unhappy with delay in his procedure, he wanted to meet the Director of the hospital, he contacted the PRO and desired to meet the Director, PRO immediately arranged a meeting with Director. The Director offered him some tea and listened to him carefully. After listening to him he called concerned people and his confusions were made clear through various demonstrations and Airways Literature. So you need to research sometimes to retain a single patient. But that patient relationship is an event for the hospital. Such incidences add to the learning of the organization and work towards its growth”
Patient care therefore was a major change and the orientation of entire hospital was shifted towards proper treatment and responses to a patient and his attendant. The top management believed that patients are the main root to business development and therefore proper strategies towards them is a must. Senior team members themselves started going through feedbacks of patients and attendants and many changes and improvements were made accordingly. Patients turn out started improving and return of few known doctors in cardiointervention also pulled the business in hospital.

In addition to various procedures, there were patients turn out for some pathological tests also. The hospital was a trusted hospital in open heart surgeries and also in cardio interventions. Therefore the new management decided to go ahead with that core competency. So now right from the outdoor to admission in case of prescription of any procedure and finally the discharge were monitored. Each tasks involved into all these processes were classified and proper distribution of work was done. This resulted into identifying the responsibilities.

Welcoming the patient and their attendant, providing them place to seat properly, getting them registered and getting the check up in OPD for a patient was involved under OPD unit. Whereas there were several pathological tests which were also involved into this. The emphasis was to get these all completed in a planned manner and without any inconvenience to patients. The objective of this entire exercise was to make the patients and their attendants feel good about the entire treatment under new hospital management.

As regards issues of future responses, standards and qualities of services for patients, they were made understood that the acquirer that is Rustid is one of the best hospital chain in India and abroad. They do not compromise with standards and quality. Therefore no one is needed to worry about these issues. Rather the effort was to scale up the level of quality and services to the patients. Through proper care, communication and responses, hospital management tried to deliver it. The main concern was to come out of the discussion that absence of only one doctor would ruin the entire system. As a corporate culture, Rustid had entirely different perspectives, they believed in system rather than one man leadership. Their strategies were to develop system not one doctor driven system. They wished to strengthen the system where an individual is not indispensable.